

## **ASSEMBLY BILL 1837: SOCIAL INNOVATION FINANCING PROGRAM**

### **CHAPTER 802**

An act to add and repeal Title 15.8 (commencing with Section 97008) of, and to repeal Section 97013 of, the Government Code, relating to corrections.

[Approved by Governor September 29, 2014. Filed with Secretary of State September 29, 2014.]

### **LEGISLATIVE COUNSEL'S DIGEST**

Assembly Bill (AB) 1837, Atkins. Board of State and Community Corrections.

Existing law establishes the Board of State and Community Corrections to collect and maintain available information and data about state and community correctional policies, practices, capacities, and needs, as specified. Existing law also requires the board to develop incentives for units of local government to develop comprehensive regional partnerships whereby adjacent jurisdictions pool grant funds in order to deliver services to a broader target population and maximize the impact of state funds at the local level.

This bill would enact, until January 1, 2020, the Social Innovation Financing Program, and would require the board to administer the program. The bill would, among other things, authorize the Board of State and Community Corrections, upon appropriation of funds by the Legislature for deposit in the Recidivism Reduction Fund, to award grants in amounts of not less than \$500,000 and not more than \$2,000,000 to each of 3 counties, selected as specified, for the purpose of entering into a pay for success or social innovation financing contract, pursuant to which private investors agree to provide financing to service providers to achieve social outcomes agreed upon in advance and the government agency that is a party to the contractual agreement agrees to pay a return on the investment to the investors if successful programmatic outcomes are achieved by the service provider. The bill would limit the total amount of the grants awarded to \$5,000,000. The bill would require each county receiving an award to report annually to the Governor and Legislature on the status of its program. The bill would require the board to compile the county reports and submit a summary report to the Governor and the Legislature annually. The bill would also make legislative findings and declarations in this regard.

#### **Digest Key**

Vote: MAJORITY   Appropriation: NO   Fiscal Committee: YES   Local Program: NO

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#### **Bill Text**

The people of the State of California do enact as follows:

#### **SECTION 1.**

The Legislature finds and declares all of the following:

- (a) It is the intent of the Legislature to establish partnerships between local governmental agencies, private investors, nonprofit organizations, and for-profit service providers to facilitate the use of social innovation financing to achieve measurable social benefits.
- (b) Social innovation financing and the use of performance-based contracting can serve as an effective tool for addressing social and community development challenges where private sector innovations may be useful and multiple approaches may be appropriate. Research shows that the selection and design of these types of social interventions should be done with care in order to ensure successful outcomes. Among other criteria, selected projects should meet the following requirements:
  - (1) Address social needs that are unmet, high priority, and large-scale.
  - (2) Address target populations that are well-defined and can be measured with scientific rigor.
  - (3) Result in outcomes that are credible and readily available by cost-effective means.
  - (4) Propose interventions that are highly likely to achieve targeted impact goals.
  - (5) Be carried out by proven service providers that are prepared to scale with quality.
  - (6) Include safeguards to protect the well-being of the populations served.
  - (7) Be cost-effective programs that can demonstrate financial savings for government.

## **SEC. 2.**

Title 15.8 (commencing with Section 97008) is added to the Government Code, to read:  
TITLE 15.8. Social Innovation Financing Program

### **97008.**

For purposes of this title, the following definitions apply:

- (a) "Board" means the Board of State and Community Corrections.
- (b) "Social innovation financing contract," which may also be known and referred to as a "pay for success contract," refers to a contractual agreement between government, private investors, and service providers pursuant to which private investors agree to provide financing to service providers to achieve social outcomes agreed upon in advance and the government agency agrees to pay a return on the investment to the investors if successful programmatic outcomes are achieved by the service provider.

### **97009.**

- (a) It is the intent of the Legislature that as part of the package to reduce recidivism in California, the concept of "pay for success" or social innovation financing should be included to take advantage of available philanthropic and private investment.
- (b) The Legislature hereby declares that a variety of approaches have been shown to be successful in reducing recidivism, including addressing homelessness, substance use disorder and unemployment among specific demographic groups.

### **97010.**

- (a) There is hereby established the Social Innovation Financing Program.
- (b) The board shall administer the Social Innovation Financing Program.

- (c) (1) The board shall solicit proposals for social innovation financing from county boards of supervisors and shall select three counties to receive grant funding.
- (2) Before awarding a grant pursuant to paragraph (1), the board shall evaluate the quality of the proposal for which the grant is to be awarded.
- (3) At a minimum, each application for a grant shall include all of the following:
  - (A) A description of the proposed social program.
  - (B) A description of the organization's experience in providing the proposed social program.
  - (C) A description of the financial stability of the organization.
  - (D) An identification of each component of the social program to be provided.
  - (E) A description of the manner in which the social program will be provided.
  - (F) A description of the recruitment or selection process, or both, for participants in the social program.
  - (G) The proposed quantifiable results and performance thresholds upon which success of the social program will be measured.
  - (H) An itemization of all expenses proposed to be reimbursed under the contract.
  - (I) The amount of matching funds provided by the county.
  - (J) A description of how the final payments for successful programmatic outcomes will be calculated and structured in the contract.
  - (K) A description of all parties to the proposed contract, including prospective investors and philanthropic foundations.

**97011.**

- (a) Upon appropriation of funds by the Legislature for deposit in the Recidivism Reduction Fund for the purposes of this title, the board shall award a grant in an amount of not less than five hundred thousand dollars (\$500,000) and not more than two million dollars (\$2,000,000) to each county selected pursuant to Section 97010 for the purposes of entering into a pay for success or social innovation financing contract. The total amount of the grants awarded pursuant to this section shall not exceed five million dollars (\$5,000,000). Any unused state moneys shall revert to the General Fund.
- (b) Each county contract described in subdivision (a) shall include all of the following:
  - (1) A requirement that the payment be conditioned on the achievement of specific outcomes based upon defined performance targets.
  - (2) An objective process by which an independent evaluator, selected by the county, will determine whether the performance targets have been achieved. This process shall include defined performance metrics and a monitoring plan.
  - (3) A calculation of the amount and timing of payments that would be earned by the service provider during each year of the agreement if performance targets are achieved as determined by the independent evaluator.

- (4) A determination by the county that the contract will result in significant performance improvements, such as a reduction in rearrests or an increase in the number of jail days avoided, and budgetary savings if the performance targets are achieved.
- (5) A requirement that an amount equal to a minimum of 100 percent of the Social Innovation Financing Program grant awarded to the county be matched by other county, federal, private, or philanthropic, funds. The board may adopt regulations allowing in-kind contributions in lieu of monetary contributions for this purpose.
- (c) Up to 10 percent of the grant funds awarded pursuant to this title may be used by the counties for administrative expenses related to the development of the pay for success or social innovation financing contract. The remainder of the grant shall be contributed toward final payments to investors for successful programmatic outcomes achieved, as stipulated in the contract.
- (d) If, after receiving a grant pursuant to this title, a county does not enter into a contract for which the grant was awarded, the county shall return all moneys awarded by the board pursuant to this title, to the state.

**97012.**

The board is encouraged to form an executive steering committee with members from relevant state agencies and departments with expertise in public health, homelessness and housing, workforce development, economic development, and effective rehabilitative treatment for adult and juvenile offenders in the evaluation of the social innovation financing program, including, but not limited to, the Governor's Office of Business and Economic Development, the Department of Housing and Community Development, the California Workforce Investment Board, and the Office of Health Equity, to make recommendations to the board regarding the efficacy and viability of proposals.

**97013.**

- (a) Each county receiving an award shall report annually to the board on the status of its ongoing social innovation financing program. The report shall also contain an accounting of the moneys awarded.
- (b) The board shall compile the county reports and submit a summary report to the Governor and Legislature annually.
- (c) A report made pursuant to this section shall be made in accordance with the requirements of Section 9795.
- (d) This section shall remain in effect only until January 1, 2020, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2020, deletes or extends that date.

**97014.**

This title does not create a statutory entitlement to services or any contractual obligation on the part of the state.

**97015.**

This title shall remain in effect only until January 1, 2020, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2020, deletes or extends that date.